

United States Postal Service®

# INDUSTRY ALERT

## **Postal Service Files Market Dominant Price Change**

*Proposes an Additional \$0.9 Billion in Annualized Contributions*

WASHINGTON – On January 15, the Postal Service filed with the Postal Regulatory Commission (PRC) a Market Dominant price change based on a Consumer Price Index (CPI) cap authority of 1.966%.

The Postal Service believes strongly in the value of mail and maintaining relevance for today's customers, offering reasonable pricing, workshare incentives, and meeting its obligation to the American public to strengthen its financial condition.

All of the proposed price changes are based on CPI prices plus the Exigent Surcharge approved by the PRC in Docket Nos. R2013-10 and R2013-11.

Using the CPI, we estimate that this price change will generate an additional \$0.9 billion in contribution on an annualized basis. If the PRC approves the filing, the proposed April 26 implementation of the prices will improve the FY 2015 financial outlook by \$0.4 billion in contribution.

The key elements of the CPI case include the following:

- Above average price increases to address PRC concerns about underwater products
- Special Services simplification to reduce redundancy and improve customer ease of use
- Introduction of a separate Flats Sequencing System (FSS) pricing structure for Standard Mail and Periodicals
- Introduction of Carrier Route bundle and container pricing for non-FSS flats for Standard Mail and Periodicals
- Include four promotions (Earned Value Reply Mail, Color Transpromo, Emerging Technologies, Mail Drives Mobile)

Various industry webinars will be scheduled to offer depth and insight into the proposed changes.

In November, the Postal Service filed for the transfer of First-Class Mail Parcels to a competitive product and the elimination of Return Receipt for Merchandise as a special service. These matters are still pending with the PRC. For the purpose of this filing we are assuming that these products will remain in the Market Dominant category.

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The Postal Service receives no tax dollars for operating expenses and relies on the sale of postage, products and services to fund its operations.